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A REPORT AND PLAN FOR ACTION
FOR THE
TREMONT ST. - WEST ST. - TEMPLE PLACE
AREA

PREPARED FOR THE BUSINESSMEN'S COMMITTEE
FOR THAT AREA
SPONSORED BY THE BOSTON REAL ESTATE BOARD
7 WATER ST. BOSTON

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Foreword

This report has been written for the committee of businessmen formed for the Tremont St.-West St.-Temple Place area. Its purpose is to outline ideas for action, to guide the property owners and retailers in taking steps to rejuvenate the area. The majority of both owners and retailers have been contacted in the course of the survey in order to obtain their ideas of the problems and the methods to combat them. The survey has also included interviews with various interested organizations, such as the Retail Trade Board, the City Planning Board, etc. The experiences of other cities in dealing with similar problems has been considered, sometimes through publications and sometimes through personal contact.

It is unfortunate for the reader's convenience that this report is not shorter, but the complexity of the subject prevents a short report. Indeed, some good ideas had to be omitted in order to keep the report at its present length. As an aid to rapid reading, certain paragraphs, which contain mainly corroborative detail, have been indented and may be omitted without losing the thread of the argument.

My senior associate, Nathaniel Hamlen, was responsible for the conception of an organization for this area and has naturally been active in our office's efforts to make it a reality. He has reviewed and assisted in both the ideas and planning of this report. When this idea was discussed with executives of the Boston Real Estate Board, it seemed logical to have the program carried forward under the direction of the Board. Great credit and thanks are due to them for their untiring efforts and leadership. Thanks are also due to the City Planning Board for their help in many ways, including the production of the accompanying plans.

BOUNDARIES OF THE AREA

The extent of the area is shown on the accompanying plan. This particular area was chosen because: (1) it is reasonably homogeneous*, (2) the decline in values has been more severe than in most other sections of downtown Boston, and (3) despite the decline, the area has an excellent potential. Some nearby areas were excluded because they did not meet the above criteria, but the most important reason for limiting the area was the feeling that if the area was too large, the chances of a successful co-operative program by owners and merchants of the area would be reduced.

THE EXTENT OF THE DECLINE

It is unnecessary to spend much time demonstrating that retail sales and property values have declined in this area. No expert is needed; everyone who passes the vacant buildings is aware of the deterioration. Still, a few figures can help to demonstrate the extent of the decline.

In 1957, the latest year for which a final list is available, the assessed values of all properties in this area was \$20,095,000.** Ten years earlier the value was \$29,587,000. At present, recent sales and asking prices of property owners indicate a value slightly over \$10,000,000. (A summation of estimated values of the individual buildings came to \$10,165,000). The asked prices indicate that anyone who made offers

* The Boston Herald-Traveler building was included, despite its specialized use, because it is a large first class building which will soon be vacated.

** Excluding St. Paul's Cathedral, which is tax-exempt and thus is excluded from all calculations.

much above these values, would soon find himself the major landowner in the area.

Another indication is the tenancy and vacancy. In terms of gross floor area, the present use of the properties is approximately as follows:

	<u>Square Feet*</u>
Retail, occupied	460,000
Retail, vacant	105,000
Office, occupied	275,000
Office, vacant	85,000
Newspaper Plant	130,000
Banks	55,000
Parking	12,000
Abandoned	50,000
	<u>1,172,000</u>

When the classified was begun, there was no "abandoned" category, but it was necessary to introduce it in order to provide an accurate description. This abandoned space is not merely vacant - no attempt is being made to lease it. Some of the other vacant space is approaching this category.

REASONS FOR THE DECLINE

The Real Estate Tax Rate

It is not too many years since the Boston tax rate was approximately \$40.00 (It was \$39.90 in 1944, \$42. in 1946). In 1958, the published estimates of this year's rate are \$90.00 or higher. This increase has been the most important factor in reducing values.

* Including basements only if used for selling purposes.

By itself, such a rise cuts values by 65% to 70%.

To illustrate, let us assume a building worth \$100,000 and assessed for that figure. Income before taxes is \$12,000. With a 40% rate, tax costs are \$4,000, leaving net income of \$8,000. Capitalized at 8%, this produces the value of \$100,000. If everything remains the same except for a tax rate increase to 50%, the tax is then \$6,000, and the net income is \$6,000. Capitalizing this at the same 8%, the value is \$75,000. Actually, the price would be nearer \$30,000, since investors have been frightened by the constant tax rate increases, and would adjust their offer to allow for future increases.

Although assessed values have been reduced in the last ten years, the many abatements received in the early years of the period indicate that they were too high at the start. The high assessments and high rate have been accompanied in many instances by decreased rental income. As a result, a number of property owners have received tax bills higher than the total income, even for buildings more or less fully occupied.

In the competition between downtown stores and shopping centers, the real estate taxes on the downtown stores constitute a crushing burden. As shown in Appendix I, this area must pay $3 \frac{1}{3}$ to 4 times as much tax as a typical shopping center and office development of the same size. To varying degrees, the retailers are paying^{part}/or all of this burden. Some bear all of it, others must pay all as a result of a net lease, and others are forced to pay part indirectly in higher rent. The result is that real estate costs of the retailers are well above the national averages, and profits are squeezed or eliminated.

The inflated tax rate has been an important deterrent to renovation of the properties. Even the strongest landlords with the strongest tenants have had substantially less money available for improvements or modernization.

Expenditures for renovation have been out of the question for some owners, who have had a hard struggle to pay the taxes and meet mortgage payments. This struggle has not always been successful. For instance, 169 and 170 Tremont Street were recently foreclosed.

Competition from Shopping Centers

Sales in the downtown business section have been hurt by shopping centers, such as Chestnut Hill, Shoppers' World, and smaller centers. 1954 Census of Business showed that in 1948 the Central Business District accounted for 20.0% of total retail sales in the Metropolitan area, but by 1954 the proportion had fallen to 15.2%. For apparel stores, the corresponding proportions were 38.5% and 28.5%. Although figures are not available for later years, the closing of Slattery's, R. H. White's, and other stores leaves no doubt that the proportion has declined further. There is no need to elaborate here on the rise of shopping centers, which has been based, to a large extent, upon their convenience - they are nearer to the customers.

The decreased sales volume resulting from this competition has had a drastic effect upon land values. In 1947, land on this section of Tremont Street was assessed at \$90 to \$210 per sq. ft., and these assessments had historical justification. In contrast, shopping center developers purchase land at 25¢ to \$1.25 per sq. ft., - seldom over \$1.25. The value of retail land is determined by the amount of sales that can be transacted thereon. Downtown can still generate more sales per sq. ft., but as its sales have decreased, the spread between downtown and shopping center land values has inevitably decreased. Even without the tax problem, land values in this area would have decreased substantially, in a period when the general price level was rising.

Obsolete Buildings

No expert is required to see that some of the buildings in this area have outlived their usefulness. Some of the Tremont Street stores, for instance, are actually converted residences over 100 years old. The upper floors in many cases have been abandoned. Although nearby buildings may be in good condition, the presence of the poorer buildings gives a general air of decadence, which certainly does not attract customers.

The obsolete buildings also hurt retailing operations. In such buildings, some of the space is only partially useful, proper display of goods is difficult, and retailing costs are higher. For instance: where stores extend over more than one building, floors are commonly at different levels, requiring stairs. There is always waste space around these stairs, the costs of moving merchandise are increased, and the less active customers are deterred by these stairs. In many similar ways the costs of operation are increased.

In recent years, the primary reason for lack of renovation has been the heavy tax burden already discussed. It is only fair to say, however, that a number of these buildings were obsolete before the tax rate soared. Some owners unfortunately failed to take a long-term approach in their in their management of the buildings.

Lack of Action and Cooperation

In the past there has been little, if any, unified action to combat the above problems. Each property owner has fought his assessment, but there has been no group attack on the assessments in this particular area, although the Real Estate Board has been campaigning vigorously for realistic assessments throughout the downtown area.

The retailers have not cooperated in advertising and promotion, although their competitors in the shopping centers have done so. Indeed, in many instances shopping center leases require the tenant to join in cooperative advertising and promotion. Likewise, there has been no united effort to improve the appearance of the area.

The lack of cooperative effort has been intensified by the very small size of some of the parcels of land, - as low as 1364 sq. ft. This is particularly true along Tremont Street, between the White Fund properties and Mason Street. Most of these properties are so small that an individual owner cannot secure even a medium - sized store as a tenant.

It is impossible now to determine how much better the situation would be if there had been cooperation in the past. It is definite, however, that the individualistic approach has not produced desirable results.

ACTION TO REMEDY THE SITUATION

The most important step in combatting these problems is to form a strong organization. An excellent start has been made by the formation of this Committee. A more tightly knit organization will be required, however, to meet the many problems mentioned above. The form of this organization is considered in the last section of this report.

Taxes

A necessary condition for the rejuvenation of this area is a lightening of the heavy tax burden. Until this is done, neither the cash nor the inclination to make improvements will be present.

A unified approach can secure greater reductions. It is axiomatic that government officials are much more impressed by an organized large group than by a scattering of individuals.

Since the city officials are aware of and deeply concerned by the vacancies in this area, this seems to be an ideal time for a group approach to them. Although it may be desirable for bargaining purposes to accept a somewhat lower reduction, a realistic reduction would at least approach 50% on the average. Since the overassessment is principally on the land, rather than the buildings, it is desirable that the reduction should be mainly in the land values.

Although justice demands a reduction in taxes, there are other sections of downtown Boston which also are over assessed, if not as badly. Thus this committee should be able to furnish a quid pro quo to justify a special reduction in its area. One excellent method is to promise to spend 50% of the tax reduction in improvement of the properties, thus helping to make Boston a better place in which to live and do business. If there is to be a definite program for rehabilitation, there must be assurance that tax reductions will be either permanent or for a definite number of years. It is only fair that the owners agree not to appeal during this period.

If new buildings are to be constructed, another agreement with the city is required. In line with the agreement for the Prudential development in the Back Bay, there should be a tax limit based on the ability to pay. Since retail buildings of more than one or two stories have lower rent per sq. ft. and lower expenses than office buildings, the percentage devoted to taxes can be somewhat higher, but the calculations in Appendix II and other calculations indicate that the maximum is 30%. With such an agreement there is a real possibility, as shown later, that new construction in the area would be financially feasible, but without it the prospective tax burden would be, to say the least, a major deterrent.

The committee could make the city officials aware that:

- (1) further increases in the tax rate will produce little or no additional tax revenue from this area. As the rate increases, values decrease. Although the decreased values may not be recognized in the assessments, there will eventually be abatements.
- (2) the high tax rate is driving business from Boston, as confirmed by the vacancies, not only in this area but also in the R. H. White building, etc.
- (3) the fundamental solution to tax problems is to reduce expenses. Such reduction is never popular but it is necessary. The city like individuals, must learn to live within its means, by such methods as the "no-hire" policy.

Improved Accessibility

Action can and should be taken to meet the chief attraction of shopping centers, which is their convenience. The downtown area can never be quite as easy to reach, except for customers living within 3 or 4 miles, but the differential in convenience can be reduced. It is recommended that the committee take action to improve the accessibility of this area by both automobiles and public transportation.

The most widely discussed proposal for improved shopper convenience is the Boston Common Garage. The plans for this underground garage call for a passageway to Tremont Street at West Street, thus bringing customers right to this area. Many owners and tenants who have followed this proposal over the years feel that the garage is nearer being a reality than at any time in the past. There is an excellent opportunity for this committee to put its weight behind the garage proposal and to make sure that action is taken now by the city or State.

Although the Boston Common Garage will help the area, it should not be regarded as the final solution to the area's problems. A large proportion of the spaces in the garage will be occupied by cars of persons who are not shoppers. The garage will be further than an ideal distance from the stores. Thus even the assurance that this garage will be built should not preclude consideration of other parking nearer the stores. There are three possibilities for parking within the area.

One possibility is the erection of a multi-story parking lot on the present parking space on Mason Street, owned by the Boston-Herald-Traveler. Another is the Herald-Traveler building itself, which will be vacated in 15 months or so. This is a first class building with adequate strength (150 to 300 lbs. per sq. ft.) for garage purposes. It would be necessary, however, to install new elevators, and the column spacing might be troublesome. It would be well worth while to have an engineering report on the cost of conversion, in order to determine the economic feasibility of this building as a garage.

A third possibility for parking (on a temporary basis) is to use the land controlled by the George White Fund at 151-7 Tremont Street, formerly occupied by Coleman's and Slattery's. These buildings are obsolete and nobody contacted in this survey believed that there was a good chance of securing a strong tenant or tenants to occupy them as a whole. As indicated below, the site is good for an office building, but the time is not quite ripe for the erection of such a new building. A logical solution would be to demolish the buildings and use the land as a temporary parking site, with rates designed to encourage shoppers, rather than all-day parkers. (Such a proposal has been submitted to the White Fund, but it is understood that agreement has not been reached as to the rent.)

The discussion of parking should not lead one to forget that 70% to 75% of the customers of these stores come by public transportation, primarily by M. T. A. *. The rapid transit connections are excellent. One exit from the Park Street Station is on Tremont Street, near Temple Place.

An exit from the Washington-Summer Street crossing of rapid transit lines is on Temple Place. The Boylston and Essex stations also are within easy walking distance.

* "Transportation Facts and Public Policy" Seminar Research Bureau, College of Business Administration, Boston College, p.5.

Parking is not necessary for successful operation of downtown stores. For instance, the stores on the corner of Washington and Summer Streets have undoubtedly been more successful than most in our area, although they have very limited parking facilities in their immediate vicinity. (In contrast, the immediate prospect of the new parking garage next door to R. H. White's did not suffice to save that store.) Although the bulk of sales of Jordan's and Filene's are in lower price brackets, these stores sell substantial quantities of goods competitive with those of the stores in our area, and most of the purchasers of these items come by mass transportation.

In order to furnish parking comparable with that of the best shopping centers, at least 3/4 of the space in the area would have to be devoted to parking. Such an arrangement is obviously uneconomic. Land values of \$25.00 to \$30.00 per sq. ft. are too high for parking, unless the operators charge high rates, which would defeat the whole purpose. Large scale parking at reasonable rates would be feasible only if land values were to suffer further drastic declines, which the committee is trying to prevent. If such a large amount of space were devoted to parking, the retail sales space, and consequently the sales, would be cut drastically. As several persons stated in the interviews connected with this report, persons, not cars, buy goods.

Since customers who come by mass transportation make the bulk of the purchases in this area, the committee should work closely with the

M. T. A. to secure an improvement in its services. The railroads also furnish mass transportation, but they have made it abundantly clear that they would like to get out of the commuter business. Unless and until this attitude changes, there is little point in discussing improved service.

One improvement in M. T. A. services already under way is the new Highland branch, which taps well-to-do areas in Brookline, Newton, Wellesley, and surrounding towns. It is not at all unlikely that this Highland branch will be a greater boon to the area than the Common garage. M. T. A. officials are convinced that patronage on this line will be far greater than on the railroad line which it replaces. Assuming they are correct, the area would benefit by replacement of other railroad commuter services by M. T. A. branches, since railroad service has been curtailed in many areas.

The committee can also use its economic weight to urge increased parking at M. T. A. stations. Such parking has been increasing at a rate of about 20% annually. Cars parked at such outside points leave downtown free for customers. The committee can also urge more frequent off-peak schedules (insofar as compatible with operating costs), more cheerful stations and vehicles, and anything else which would make M. T. A. riding more pleasant.

Making the Area Attractive

If women, who constitute the great bulk of the customers, enjoy being in this area, they will come at regular intervals in spite of shopping center competition. One necessary step in making customers enjoy the area is to make it physically attractive. As indicated above, the present appearance leaves much to be desired.

Not only are there old and neglected upper floors, but also a wide and often contrasting variety of architectural styles, and, in some places, an over-abundance of protruding signs. In contrast, the planned suburban shopping centers consistently feature architectural unity and sign control. Yet, with the proper renovation, this area can be made very attractive, with a charm and distinctive flavor that few shopping centers could match.

There are several strong reasons for a step-by-step approach in improving the appearance of this area. There simply are no funds available for a complete rebuilding program. The prospects for interesting investors in a multi-million dollar development are poor, because of the performance of this area in recent years. A step-by-step approach also can take advantage of the buildings that are in good or excellent condition with an attractive or satisfactory appearance, which at present may be spoiled by unattractive neighbors. Thus, the approach should be first to eliminate whatever is most detrimental and then embark on a gradual rebuilding process.

The experience of other cities confirms the desirability of gradual rebuilding. Such cities as St. Paul, Fort Worth, San Francisco, Kalamazoo, and dozens of others have had plans calling for a multi-million dollar rebuilding of the downtown area. All of these plans have been greeted with enthusiasm, but a fairly close search fails to reveal one building constructed as a result of any master plan for a whole downtown area. Multimillion dollar master plans for large sections of downtown have had tangible results only when aided by federal funds or sponsored by a large insurance company. Boston, too, has had its experience of an outsider announcing plans for many large buildings covering many acres and costing many millions, which came to nothing. Yet in these cities there has been substantial building independent of the grandiose

plans. The chances of securing action are tremendously greater if the plan calls for rebuilding on a moderate scale.

Steps Before Rebuilding

The control of protruding signs and marquees could improve sections of this area. The problem is not caused by small, imaginative signs, but by the large ones which dominate by sheer bulk. The shopping centers have shown that protruding signs are not essential. Eliminating existing ones, however, is a problem that calls for a real spirit of cooperation. At the minimum, there should be some control of the size of signs erected in the future. It would be much more desirable to secure action now to replace the bulkier signs with smaller ones, or even to eliminate them completely. There are several signs that could be eliminated with little or any objection; these are signs left by former tenants on vacated premises.

The next step could be to minimize the diversity of architectural styles, at least along the lower floors on each street. There is such diversity at present that complete uniformity would not be possible without heavy expense. Indeed, it is doubtful that complete uniformity is the best solution for this area. An imaginative architect with an appreciation of the assets in the area could achieve a degree of homogeneity at a moderate cost. The cost can be kept within bounds by using styles and features already in some of the buildings, and extending them to other buildings, rather than by changing every building. There should, of course, be coordination of such face-lifting with the rebuilding considered below.

Another method of increasing the attraction of the area and its sales volume is to open doors between buildings.

Then the women customers can browse from one store to another without going outdoors. With such openings, many customers would pass into stores which they probably would not have entered from the street. Once a customer has gone from a store into the street, she may well go home or to another retail area, but as long as she is in the buildings, there is possibility of further sales. Such indoor connections would be particularly helpful in inclement weather.

A major improvement would be to make Temple Place and West Street into malls, at least on a trial basis, by closing them to automobile traffic, either completely or during the main shopping hours. All over the country, city planners and officials are becoming aware that a mixture of automobiles and pedestrians on city streets hurts sales, while shopping center malls are gaining sales. This idea of turning streets into malls is still new, and relatively few trials have been made, but these trials have been definitely successful. In Springfield, Oregon, a 10 day trial resulted in a sales increase of 14% over the previous year. In Grand Haven, Michigan, sales rose 25%.² Thus, turning Temple Place and West Street into malls would in all probability increase sales. Making temporary malls would be relatively simple, since the Planning Board has stated its willingness to help in the details of shutting off the streets, and the city will supply plants to enhance the appearance of these malls.

Although there are problems arising from converting streets into malls, they are not so great, compared with potential sales increases, as to prevent at least a trial of the malls. One possible objection is that there will be less parking for customers.

1. Wall Street Journal, Jan - 23, 1958, P. 1

2. Business Week, June -21, 1958, P. 31

Actually there are only 22 parking spaces on the two streets combined, and these are occupied to a large extent by salesmen and other businessmen, tourists, overtime parkers, etc. It would be very difficult to demonstrate that over 1% of sales of stores in the area are made to customers parked on these streets.

hand truck deliveries

Closing the streets also causes problems in making deliveries to the stores, but such problems can be surmounted. One method is to concentrate deliveries before and after principal shopping hours. Even during shopping hours, deliveries can be made without having large trucks on the mall, by the use of hand trucks. Many department stores occupy a full city block, and have deliveries made at one central location, whence the goods are delivered to the particular department by hand truck or similar conveyance. The problems in delivering to stores on Temple Place and West Street are thus not much more complicated than deliveries within a large department store. One of the vacant stores on Tremont Street could be used as a central delivery point for stores not near the corners. Such a system would cause a slight increase in costs, but this should be offset by the increased volume.

Although making these two streets into malls might not seem to be of direct benefit to Tremont Street, increased pedestrian traffic on them inevitably will mean more customers on Tremont Street. At least some of the Tremont Street retailers realize that they will benefit from these malls.

The First Stage of Rebuilding

Once these immediate steps have been taken, attention should be turned towards replacement of the poorer buildings with new ones. As indicated above, there are possibilities that this area can be made noteworthy for its charm. In order to do so, the architect must think in terms of what is most appropriate for this particular section of this particular city of Boston, not what would be a good general plan which would work as well in Oklahoma City. By starting from such

buildings as that of the Provident Institution or the West Street building of Thayer McNeil, a charming neighborhood with a Boston atmosphere can be created.

One section which should be near the top of the list for rebuilding is Tremont Street, from the Diab building to Mason Street. Although there are a few good buildings here, there is a high proportion of obsolete ones. In this section the tenancy has deteriorated badly, with joke shops and an auction room. Yet the presence of the Common across the street and the transportation facilities make this an excellent location for an office building. It is perhaps too much to hope that a prompt start could be made in erecting an office building, but once the immediate steps (mentioned above and later in this report) have turned the tide, the definite assets will no longer be offset by an atmosphere of gloom. The parcels controlled by the White Fund provide the best opportunity for a new office building, since the area of roughly 15,000 sq. ft. is adequate, and the depth of the lots is greater here.

For the remainder of this section of Tremont Street, the first step is to get rid of vacant upper floors which are being neglected, reducing most of the buildings to two floors and giving the front of these stores a face-lifting. This would not only improve the appearance, but also provide opportunities for additional retail space and frontage by elimination of separate entrances. The main hurdle to overcome in restoring this section is the small size of the holdings. Several property owners agreed in the course of the survey that combining smaller parcels into a larger one was desirable and expressed a willingness to participate in such a program. Before completely new buildings are erected here, thought should be given to their relation to possible future development on the other side of Mason Street, discussed below.

Assuming that the initial trial of the malls on Temple Place and West Street is successful, these streets should be made malls on a permanent basis. Much more can be done to encourage shoppers to come here and stroll around in a leisurely fashion. One method is to provide a covering for part of the malls to protect against inclement weather. M. T. A. officials have expressed their willingness to have M. T. A. exits tied in with such canopies, so that the shoppers could reach the stores without going out into the rain. Another is to provide plantings and benches. Still another is to open up more space and promote circulation by means of another mall.

A transverse mall connecting West Street, Temple Place, and Winter Street would provide this area with all the amenities of a shopping center, and more. The construction of this mall could be combined with the erection of a new building on Temple Place and West Street. One possible arrangement is shown on the accompanying plan. This plan takes advantage of Winter Place which runs more than half way from Winter Street to Temple Place. By tearing down 44-6 Temple Place which is vacant above the first floor, a mall could be created which would be wider than Winter Place and connected with it by a narrow passage 12 feet long. (By taking less than 100 sq. ft. of the first floor of Locke Ober's or the Provident, this passage could be widened sufficiently). The new mall on the Temple Place side would be wide enough (27 feet) so that part of its width could be devoted to small, booth-like stores (such as florist or watch repair) with a Georgian Colonial treatment, which would not only add revenue but also add to the atmosphere of the area.

On the other side of Temple Place, numbers 21-43 would be demolished, and on West Street numbers 17-23.

Then a mall 15 to 18 feet wide could be erected on the Washington Street end of this space practically opposite the extension of Winter Place. Such a mall need not be very wide, since those desiring to relax in wide open space have the Common nearby. On the remainder of the area, a three or four story retail building covering approximately 14,000 sq. ft. would be erected. The total cost of land and building at today's figures would be roughly \$1,120,000 for three stories. With proper leases, a mortgage of \$750,000 could be secured, so the required equity would be \$370,000.

Such a building could be a sound investment if an agreement were reached with the city limiting real estate taxes to 30% of the rental income. Appendix II shows the calculations involved. The figures assume an average rent per sq. ft. of \$3.40, which would be reasonable once confidence has been restored. The evidence is strong that first floor rents would be at least \$6.00 per sq. ft., particularly in view of the additional frontage provided by the mall, making a total frontage of 365 feet. The method of securing funds for such a development is discussed in the last section of this report.

The costs of acquiring the land for the mall and of making it into a mall would have to come from the general funds. These costs would be in the magnitude of \$200,000, excluding the small stores, whose income should provide a good return on the investment on their land and building.

Further Steps

After some such short-term programs above has been completed, assuming its financial success, a logical next step would be to rebuild more of the Temple Place-West Street block. One physical feature that could well be incorporated in the plan is the alley behind the Tremont Street stores, which is now too narrow to be of much use.

This could be widened and beautified in conjunction with rebuilding the majority of the buildings between the alley and the new building described above. Since the start of such rebuilding would be at least three years in the future, and its exact form would depend on lessons learned in the earlier stages, no financial computations are made for this step.

If the area becomes sufficiently flourishing, there are opportunities for expansion to the southward over a longer term (10 years or more in the future). At present, expansion in the direction is blocked by the bulk of the RKO Theatre, which is understood to be under a long-term lease. If this property could be acquired in the future at a reasonable cost, it would be possible to relocate Mason Street, thus giving more depth to the Tremont Street lots. Another mall could be created here, with new stores on the present sites of the theatre and parking space.

Making the Area Better Known

Before any new buildings are erected, it will be necessary to increase the sales volume in the area, so that new, strong tenants may be encouraged to come here. Likewise a prompt increase in sales volume is required for the financial stability of some of the existing retailers. In other words, the situation calls for an immediate program to bring more potential customers into the area.

Too many potential customers are unaware of the stores in this area and what they have to offer. When a number of secretaries in downtown office buildings were asked their opinion of the area, a large proportion replied, in effect, that they just never thought of shopping there. T. D. Whitney recently has been using the display windows of the former Coleman store. As a result of this display, a number of customers have come to Whitney's and said that they had previously been

unaware of that store, although it is one of the larger stores on Temple Place and West Street, and has been there for many years.

Although the whole area is not much larger than some department stores, there is a variety of goods in the apparel and related fields which no department store could hope to achieve. There is work to be done in putting this message across to potential customers.

One method of securing wider recognition for the area is through institutional advertising. There already has been a meeting of a number of the retailers, at which they have agreed, at least in principle, upon a cooperative institutional advertising campaign. In addition to such institutional advertising, much could be done by the individual stores. At present the advertisements for the various stores are scattered throughout the newspapers, and many are necessarily of very moderate size. If advertisements were gathered together under a heading showing the area's identity, many more readers would take notice. At regular intervals there could be institutional advertising for the area to accompany the massed individual advertisements.

Another method of catching the customers' attention and interest is to make the streets into malls, as described above, and stage a promotion. Preliminary plans have already been made for such a promotional event in August or September. The malls would be the most important feature in such a promotion, since they undoubtedly would bring much free publicity. The newspapers certainly should be willing to aid in the promotion as a method of strengthening their advertisers and as a public service. The malls would provide an excellent opportunity for the newspapers to help tremendously, since malls would have definite news value. The value of such publicity would far outweigh any additional delivery expenses arising from the mall.

The emphasis in this promotion should be on attracting future customers, not just crowds. Those managing the promotion need to be careful that it can not be accused of being cheap, for two reasons: (1) anything too undignified runs the risk of creating an impression that the quality standards are being lowered; (2) certain stronger stores, which wish to cooperate, nevertheless will refuse to participate in anything which they considered cheap. These stores would object to a promotion featured primarily by cut prices. The promotion can take advantage of the experience of other cities and shopping centers, where certain types of entertainment attracted large crowds of the rougher teen-agers, but not enough genuine customers. There are many excellent methods of attracting customers, such as using the malls for outdoor style shows, art shows, or photographic exhibits. The very novelty of the malls will bring more persons to the area.

Any promotional effort will be aided by a simple, catchy name for the area. One method of securing such a name is to run a contest in picking the name, with the winner getting some such prize as a fall wardrobe from the stores.

There are a number of other steps which the retailers can take to increase sales:

- (1) Uniform store hours. Very few customers know which stores are open at what times. A customer in doubt whether certain stores will open in the morning, or late afternoon, or evening, is all too liable to stay home.
- (2) Joint charge cards. Many women hesitate to carry large amounts of cash. Thus the ability to charge purchases in a certain store is a definite inducement to patronize that store. The smaller stores are at a definite disadvantage in this regard, compared with large stores. Since there are many stores in this area, it is unlikely that any customers will arrange for charge accounts in all of them, but it would be simple for her to arrange for one charge card or one notch on the Charge-A-Plate, covering all the

stores. Then the customer could shop in the stores with the assurance that if she found what she wished she could purchase it without trouble, even if the purchase price exceeded the cash she was carrying. Some stores automatically give credit to customers who have Charge-A-Plates, but many customers do not realize this. Such a policy would serve the purpose, if it were sufficiently well known.

The above proposals calling for cooperative action by the retailers require a certain degree of submerging each store's individuality. Such submerging is more difficult for the larger and stronger stores, some of whom might feel that they can survive without such cooperation. Any executive tempted to think along those lines should realize that he has neighbors who are in straightened circumstances and may not be able to continue in business unless there is such a program. The stronger stores can not afford to have more of the nearby stores close their doors, since such closings reduce the wide variety of stores and merchandise which constitute the greatest strength of downtown in competing with shopping centers.

Methods and Financing

In order to carry forward the work so well begun by the formation of this committee, it is desirable to have a more permanent and closely-knit organization. In any loose organization there is the danger of a gradual drifting apart in a year or two, once the initial enthusiasm has worn off. There is so much that needs to be done that a continuing organization is required. In addition, substantial expenditure must be made, which can not be done so well by a loose group. As a result, it is desirable to transform the committee into a trust or corporation. Participants who have money invested in a trust or corporation are not likely to lose interest after a year or two.

The choice of trust or corporation would of course, depend upon legal advice.

In general, corporations are more flexible, but real estate trusts have tax advantages. At present real estate trusts do not pay income taxes in Massachusetts, and if a bill now before Congress is passed, they will also be free from Federal income taxes.

Any organization is only as good as its management. In order that those whose money is involved may have the necessary confidence in the management, the directors or trustees should not only be able men of high standing, such as the present members of the committee, but also representatives of the various groups involved - large and small property owners and large and small tenants.

There is a relatively painless method of securing funds for this corporation - the assignment to it of tax refunds or reductions. In the section on taxes above, it was suggested that tax refunds would be easier to obtain if the owners agreed to put 50% of the savings into renovation of the properties. At a meeting of the principal owners, the majority was in favor of this principle.

However, there were technical difficulties, since some properties have been remodelled recently, while others need more remodelling than the sums furnished by these reductions. By putting the refunds into a corporation, these difficulties could be minimized.

Since many owners are trustees, who must be particularly careful in the investment of their funds, this method of securing funds has advantages. The reductions secured through ordinary channels are not only smaller than those which the organization should secure, but they are also subject to legal costs ranging from 20% to $33\frac{1}{3}$ of the savings. Thus it is not at all unlikely that the net savings would approach twice the savings with individual appeals. If a trustee puts half of these savings in the trust or corporation, he is in effect putting in money, most or all of which he never would have received except for the organization

It is suggested that the shares of this corporation or trust be so distributed that all the owners and tenants would have a voice in its affairs, but those who had put in more would have more say.

One method of securing this result is to have common shares, available to all owners and tenants at a nominal price, and preferred shares, in proportion to the amounts invested in the corporation. Both common and preferred shares would have voting rights. The same result could be obtained by having Class A and Class B shares, or by the proper division of a single class of common shares.

Since the 1958 real estate taxes for the area, under present circumstances, will be in the magnitude of \$1,800,000, and since an average reduction of nearly 50% would be justified by actual values, the half of the reduction could amount to nearly \$450,000. Perhaps this is too optimistic, but a 40% reduction would produce \$360,000. It is possible that a three or four year settlement could be secured, and thus \$1,000,000 to \$1.500,000, made available to the organization.

The trust would be able to make loans at a reasonable interest rate (4 to 5%) to property owners or tenants who would spend those funds in improvements to the area. (In order to avoid any charge that investors were paying interest on their own money, it might be desirable to grant owners automatic interest - free loans to the extent of their participation in the organization, provided that the money was spent in accordance with the plans for the area). The funds of the corporation or trust also would be used for the malls and other works of general usefulness. They could be used for at least part of the equity required for the new buildings; if the prospects for these buildings are good, outside participation in them could be secured, and the organization's funds held for other purposes.

The corporation or trust can accomplish more if funds other than tax refunds are available. Thus stock should be made available to investors who are not now property owners in the area.

Likewise, the organization could secure title to individual parcels in the area by exchange of an equivalent amount of stock. This would be an excellent method of consolidating some of the uneconomically small pieces.

The retailers of the area are regularly spending money on advertising and some of promotional funds would represent a diversion of these expenditures. In addition, offers of free promotional help have been received. Since the property owners would have made the greater contributions to the funds of the organization, it would seem only fair that the retailers bear most of the promotional burden, leaving the funds primarily for remodelling, renovation, malls, etc. Insofar as retailers spend money on institutional advertising, however, they will be aiding the long-term future of the area, and there would be justice in issuing stock to them in proportion to the amount spent on such advertising.

Specific Suggestions

As a sort of summary, the following twelve suggestions are presented for prompt action.

1. Pick a short, catchy name for the area, preferably by a contest.
2. Secure legal advice and take other steps for turning the committee into a real estate trust or corporation.
3. Make a group approach to city officials to obtain equitable tax reductions.
4. Place 50% of these refunds in the corporation or trust.
5. Make sure that the proposals for the Common garage do not again wither because of inaction.
6. Work with the M. T. A. for improved service.
7. Determine whether the Herald-Traveler building is feasible for parking, either as a whole or in part.

8. Start a cooperative institutional advertising campaign.
9. Proceed with plans for a area-wide promotion in August or September.
10. Convert Temple Place and West Street into malls during this promotion.
11. Engage architectural assistance for plans for renovation and eventual rebuilding.
12. If necessary, help any distressed landlord with vacancies, so he is not forced to take a joke-shop type of tenant.

Appendix I

This area contains the equivalent of 525,000 sq. ft. of good retail space and 390,000 of office and bank space. (The actual figures shown on page 2 are somewhat higher, but some of the space is only partly useful. The newspaper is omitted in these particular calculations, as it is a specialized use, which will be vacated in 1959). These properties were assessed for \$18,670,000, which at a rate of \$90.00 means a tax bill of roughly \$1,660,000.

In a sample of 39 shopping centers in 12 states from Massachusetts to California, the median tax bill as a percentage of income was slightly under 15%. If we apply this 15% to the above 525,000 sq. ft. of retail space with an annual rental value of approximately \$1,700,000, the tax bill would be \$255,000. As for the office space, the latest Office Building Exchange Report shows an average property tax of 38.4¢ per sq. ft. If we use 40¢, and apply it to the 390,000 sq.ft., the bill would be \$156,000. Thus the total tax bill of an average shopping center and office building development would be \$411,000, compared with the \$1,660,000 in downtown Boston.

It may be advanced that the downtown stores receive more services for their tax dollar, and that the percentage of gross devoted to taxes should be higher. A figure of 20% certainly should cover the extra services. Using this, we compute a tax bill of \$340,000 for the retail space, and thus a total of \$496,000, which still is only 30% of the taxes on our area.

Taking the reciprocal of the above percentages, the taxes on our area are $3\frac{1}{3}$ to 4 times those on the average shopping center and office building development.

Appendix II

Costs and Return of a New Building on Temple Place and West St.

A new building in this place could be a profitable investment, provided that real estate taxes did not exceed 30% of gross income and that confidence in the area has been restored. It would be necessary first that the existing properties be purchased at a price commensurate with the land value, as the buildings are largely depreciated. The owners of the Temple Place properties have expressed their willingness to sell at reasonable prices, in line with actual present values. Under these circumstances, it should be possible to secure the land for less than \$30 per sq. ft. This is by no means inexpensive, but it is far below the assessed values on the land alone, and likewise well below the market value of the land in the not too distant past.

The cost of erecting a three-story retail building, with interior decorating and fixtures furnished by the tenant would be in the area of \$17-\$18 per sq. ft., or approximately \$730,000 for three floors of 14,000 sq. ft. each. Adding the cost of land gives a total cost of roughly \$1,120,000. With proper leases, a mortgage of \$750,000 could be secured, so the required equity would be in the neighborhood of \$370,000. If interest rates at the time are approximately the same as now, an annual debt service of 7%, or \$52,500, would be reasonable.

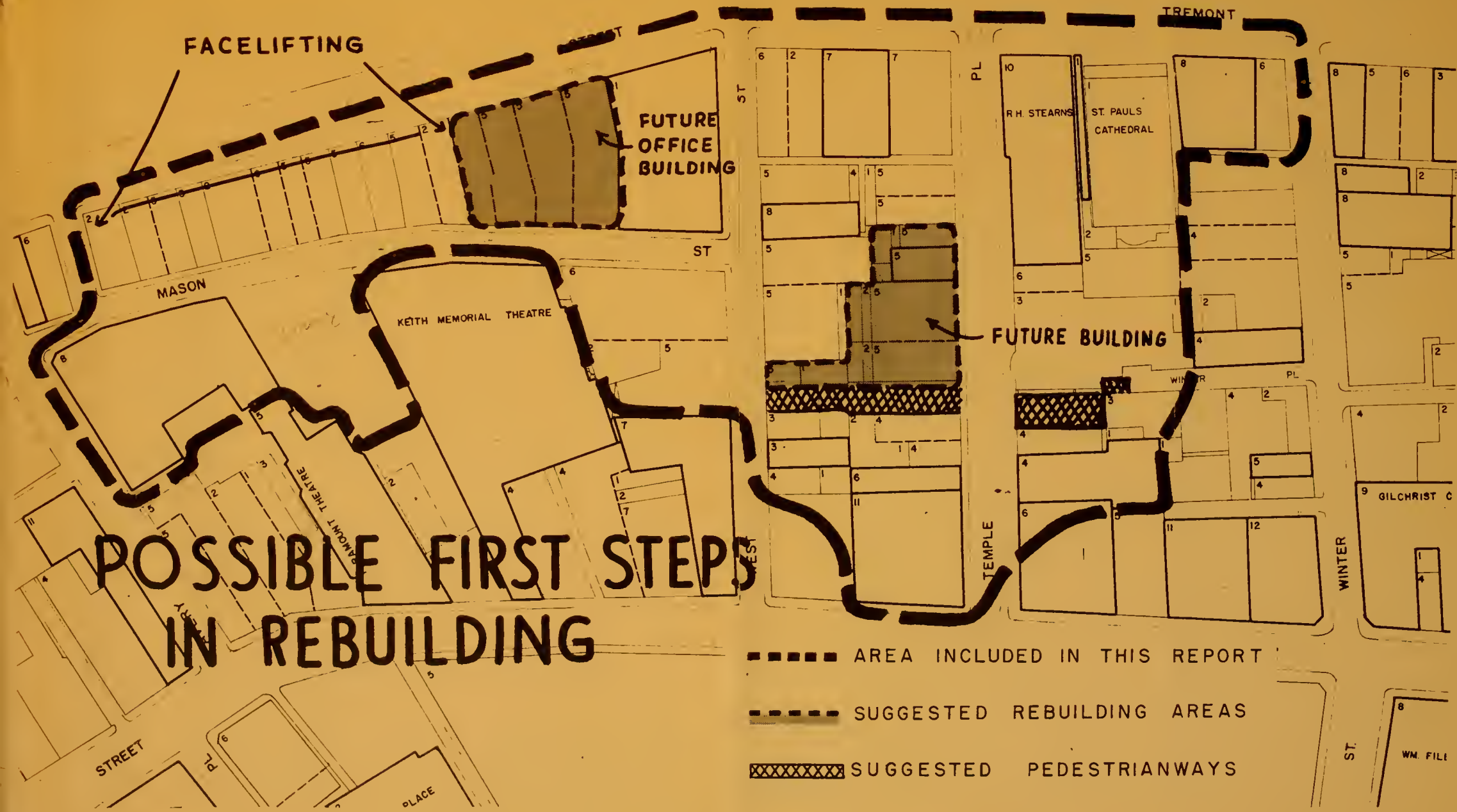
The annual rents on the first floor should average \$6 or more. At present, a number of stores in the area are paying \$8 or more for first floor space, although others are below that figure. At the newest large shopping centers, smaller stores are paying \$6 per sq. ft. The revived area should command higher rents than the shopping centers. The mall certainly would help secure rents of at least \$6, since the total frontage would be 365 feet--unusually large for a building of that size. Allowing for corners and the irregular shape, a rent of \$300 per front foot (well below present levels) would yield the \$6 per sq. ft. The rent per sq. ft. for the upper floors probably would be in the area of \$2 per sq. ft. A three-story building with \$2 on the upper floors and, say, \$6.20 on the first would have an average rental of \$3.40 per sq. ft.

The ultimate test of the correct rent is the ability of the tenants to make sufficient sales to justify the rent. The first floor tenants presumably would include one or two smaller stores, such as candy, jewelry, or millinery stores, which can pay a relatively high percentage of sales as rent and which can produce high sales per sq. ft. Such stores can afford to pay well above \$6 per sq. ft. for a location with the proper pedestrian traffic. Thus it would not be at all difficult in a revitalized area to secure sales justifying an average rent somewhat over \$6. The upper floor tenants, however, probably would be specialty stores whose ratio of rent to sales should be roughly 4%. To justify the \$2 rent, sales of \$50 per sq. ft. would be adequate. This would be below average sales per sq. ft. for such stores. Some first floor area would be needed, however, and if the first floor comprised 20% of the store's total area, the average rent would be \$2.80, requiring sales of \$70 per sq. ft. This is above average, but experience in commercial real estate indicates that if the area is thriving, some responsible retailer is going to feel sufficiently optimistic concerning his chances of generating such sales so that he will lease the space at that rent.

Expenses other than taxes on such a building would consist primarily of insurance and outside repairs, and would be relatively low. Unless the building is rented to one or two strong tenants, there should be an allowance for vacancy or contingencies. Thus the income before taxes would be as follows:

Total Rent		\$143,000
Vacancy, etc.	7,000	
Insurance, Repairs	<u>4,000</u>	<u>11,000</u>
Income before taxes		\$132,000

Reference		H17R (C.B.D.)
A Report and Plan for Action for the Tremont St.-West St.-Temple		
DATE	ISSUED TO	
Place Area.		
3/23/78	Duffie Gatt Line	
1-11-93	Lubler	



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